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LAW OFFICES

RECOVER

MAY 22 2008

Department of Water Resources
Eastern Region

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May 6, 2008

RECEIVED
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Department of Water Resources
Eastern Region

Ernie Carlsen
Idaho Department of Water Resources
900 N. Skyline Dr., Ste. A
Idaho Falls, ID 83402

RE: Application for Transfer of Water Right Nos. 25-2142 and 25-7654, and Request
for Performance of Licensing Examination for Water Right No. 25-7654.

Dear Ernie:

We have prepared and are enclosing an application for transfer on behalf of the City of Idaho Falls. This transfer application is related to an Application for Permit which we filed in October of 2007, on behalf of the City in order to drill Well #18. That application was assigned number 25-14205. As you will recall, the application was protested by the Surface Water Coalition. In our discussions with them, we both agreed that the City would first file the enclosed transfer application to add the new proposed Well #18 to two of the City's existing water rights. We further understand this is consistent with how the Department currently conditions municipal permits, in that they typically require some type of study to be performed after any new application for permit is developed in order to determine if approving the permit application was appropriate in the first place. As contained in the transfer, we are simply adding Well #18 as an authorized point of diversion to two of the City's existing water rights.

However, one of the water rights we propose to change, Water Right No. 25-7654, is still in the permit phase. Proof of Beneficial Use was received by your Department on October 14, 2004, but as far as we are aware, no license has been issued for this water right. Based upon our review of the City's existing rights, this water right and Water Right No. 25-2142 are, in our opinion, the two best water rights in which to add Well #18 as an authorized point of diversion. We therefore request the Department, as soon as possible, take steps necessary to license Water Right No. 25-7654. We do not know if a licensing exam has been made, and simply has not been finalized, or whether any licensing exam has been performed. If no such examination has been performed, Mr. David Richards, the Water Department Superintendent, would certainly be available to accompany any Department official in their performance of a licensing exam. We, of course, believe the licensing examination is necessary before the transfer can be processed,

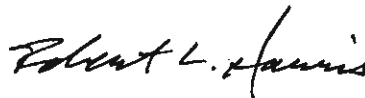
Ernie Carlsen
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and the City would like to have Well #18 drilled as soon as possible. Please advise as to when such a licensing examination may be performed.

While the transfer is being processed, we request the Department hold our permit, No. 25-14205, and not process the application any further until the Transfer is approved, and Well #18 is installed, to determine if the new well will appropriately address the City's peak summer demand. Over the last few years, the City has come close to the maximum amount of water it is authorized to divert under its water rights during the peak summer months. It is hoped that Well #18 will improve the system's pressure, and perhaps ultimately may remedy the problem for a number of years. However, if not, we will inform the Department and request that processing continue.

If you have any questions or concerns, please let me know. We appreciate your assistance in this matter.

Sincerely,



Robert L. Harris
HOLDEN, KIDWELL, HAHN & CRAPO, P.L.L.C.

Enclosure
c: City of Idaho Falls.